**Can I cancel a contract my business signed because of Covid-19/Coronavirus?**

Following the declaration of Covid-19 as a pandemic and the unprecedented actions that many Governments are now applying to both businesses and individuals, many businesses are looking at the legal and contractual impacts they are facing as a result of this situation.

Restrictions on movements have resulted in the cancellation of nearly all public events and there is significant disruption to supply chains. Some disruption is due to limited availability of produce due to production facilities being unable to manufacture, but some sectors are literally crumbling under the sheer demand that a population essentially confined to its homes, requires.

**Contractual position**

As a very simple summary, most UK businesses will have English Law contracts that require Party A to perform its obligations to Party B under that contract. Party A will be potentially liable Party B should it fail to do so. There are two key concepts that businesses will want to consider at the current time:

1. force majeure clause; and
2. frustration.

**What is Force Majeure and can I use it?**

If your contract contains a force majeure clause, it will usually set out in detail how the parties’ obligations are affected by a serious event or occurrence. A force majeure clause tries to predict the unpredictable. Each contract and each force majeure clauses differ, so each business will need to review the particular clause in question.

Altion Law is running a remote fixed fee consultation service where we can review and advise on Covid-19 business related issues. These consultations are aimed at giving businesses access to legal advice at a fixed cost and with a swift turnaround. **If you would like to have a confidential discussion with a member of our team, please make a** [**Free Enquiry**](https://www.altion-law.co.uk/default.asp?contentID=602)**, and we will call you back at a time that is suitable for you or you can contact us directly on**[**01908 414990**](tel:01908%20414990)**.**

However, key factors each business will need to consider include:

Does the wording permit the Covid-19 epidemic to be specifically covered as a force majeure event? Even if it is covered, there maybe other requirements that may still need to be satisfied to constitute force majeure, for example sending a written notice by a deadline.

Some clauses have wording that would be impacted if there has been a government decision or action, that prevents performance.

Clauses often use the word “reasonably”. Could Covid -19 have reasonably been provided against, avoided or overcome? Again, this will be down to the specific contract and the performance obligations of the Parties.

What has the business done to take reasonable steps to mitigate or avoid the effects of the force majeure event? Most business will be under a duty to show they have tried to mitigate the impacts. It is unlikely that claiming force majeure when steps have not been taken to try and reduce the impact will be successful.

**What will happen if I claim Force Majeure?**

Generally, you will be excused from performing your obligations for a particular period, this reduces the risk of the contract being terminated by default and often permits for extension to targeted times or deliveries etc. Most often each company will bear its own costs but again each clause is different and compensation may be payable after a certain duration or certain costs are payable. Most contracts will permit an extended period of force majeure to lead to a right to terminate the contract.

**What is frustration and does Covid-19 allow me to use this to cancel a contract?**

If you do not have a force majeure clause, you may still have a remedy under the legal concept of Frustration. It’s a very narrow area to define and but essentially a party can be discharged from its contractual obligations to Party B, if a change in circumstances makes it physically or commercially impossible to perform the contract. The courts set a very high level that would have to be met and any company considering claiming frustration should take legal advice before doing so. Altion Law can cover this advice in one of our remote fixed fee consultation services. **If you would like to have a confidential discussion with a member of our team, please make a** [**Free Enquiry**](https://www.altion-law.co.uk/default.asp?contentID=602)**, and we will call you back at a time that is suitable for you or you can contact us directly on**[**01908 414990**](tel:01908%20414990)**.**

**What happens if I am successful?**

If frustration applies, it allows the recovery of monies paid under the contract before it was discharged, subject to an allowance, (at the court’s discretion), for reasonable expenses incurred by the other party.

**Altion Law are specialists at advising and representing parties with Commercial matters. Altion Law is running a remote fixed fee consultation service where we can review and advise on Covid-19 business related issues. These consultations are aimed at giving businesses access to legal advice at a fixed cost and with a swift turnaround at a time where swift decisions need to be made. If you would like to have a confidential discussion with a member of our team, please**[**Make a Free Enquiry**](https://www.altion-law.co.uk/default.asp?contentID=602)**, and we will call you back at a time that is suitable for you or you can contact us directly on**[**01908 414990**](tel:01908%20414990)**.**